

UTILITIES DIVISION[199]

Notice of Intended Action

Twenty-five interested persons, a governmental subdivision, an agency or association of 25 or more persons may demand an oral presentation hereon as provided in Iowa Code section 17A.4(1)“b.”

Notice is also given to the public that the Administrative Rules Review Committee may, on its own motion or on written request by any individual or group, review this proposed action under section 17A.8(6) at a regular or special meeting where the public or interested persons may be heard.

Pursuant to Iowa Code sections 17A.4, 476.2, and 476.6(8), the Utilities Board (Board) gives notice that on May 5, 2011, the Board issued an order in Docket No. RMU-2011-0002, In re: Capital Infrastructure Investment Automatic Adjustment Mechanism for Rate Regulated Natural Gas Utilities [199 IAC 19.18], “Order Commencing Rule Making.”

If adopted, the proposed rule would establish two alternative procedures for automatic adjustment mechanisms through which rate-regulated natural gas utilities could recover costs for certain eligible capital infrastructure investments. To recover costs for an eligible investment under one of the procedures, the utility would be required to file for Board approval a proposed automatic adjustment mechanism that meets the three criteria established by the rule. Under the other automatic adjustment mechanism, a utility could file a proposed tariff, with the information required by the proposed rule, that would establish a rate for recovery of costs for an eligible investment that is required by governmental mandate or action or is required for safety. The Board has authority pursuant to Iowa Code section 476.6(8) to approve automatic adjustment mechanisms for rate-regulated utilities, provided that a schedule showing the automatic adjustment is first filed with the Board.

The order commencing rule making issued by the Board can be found on the Board’s Web site, www.iub.iowa.gov.

Pursuant to Iowa Code section 17A.4(1)“a” and “b,” any interested person may file a written statement of position pertaining to the proposed amendment. The statement must be filed on or before June 23, 2011. The statement should be filed electronically through the Board’s Electronic Filing System (EFS). Instructions for making an electronic filing can be found on the EFS Web site at <http://efs.iowa.gov>. Any person who does not have access to the Internet may file comments on paper pursuant to 199 IAC 14.4(5). An original and ten copies of paper comments must be filed. Both electronic and written filings shall comply with the format requirements in 199 IAC 2.2(2) and clearly state the author’s name and address and make specific reference to this docket. All paper communications should be directed to the Executive Secretary, Iowa Utilities Board, 1375 E. Court Avenue, Rm 69, Des Moines, Iowa 50319-0069.

An opportunity to present oral comments on the proposed amendment will be held at 9 a.m. on July 8, 2011, in the Board’s hearing room at the address listed above. Persons with disabilities who require assistive services or devices to observe or participate should contact the Board at (515)725-7334 at least five days in advance of the scheduled date to request that appropriate arrangements be made.

After analysis and review of this rule making, no impact on jobs has been found.

This amendment is intended to implement Iowa Code sections 17A.4, 476.2, and 476.6(8).

The following amendment is proposed.

Adopt the following new rule 199—19.18(476):

199—19.18(476) Capital infrastructure investment automatic adjustment mechanism.

19.18(1) *Eligible capital infrastructure investment.* A rate-regulated natural gas utility may file for board approval a capital infrastructure investment automatic adjustment mechanism to allow recovery of certain costs from customers. To be eligible for recovery through the capital infrastructure investment automatic adjustment mechanism, the costs shall either:

a. Meet the following criteria:

(1) The costs are beyond the direct control of management;

- (2) The costs are subject to sudden, important change in level; and
- (3) The costs are an important factor in determining the total cost of capital infrastructure investment to serve customers; or

b. Be costs for a capital infrastructure investment which:

- (1) Does not serve to increase revenues by directly connecting the infrastructure replacement to new customers;
- (2) Is in service but was not included in the gas utility's rate base in its most recent general rate case; and
- (3) Replaces or modifies existing infrastructure required by state or local government action, is required for safety, or is required to meet state or federal natural gas pipeline safety regulations that become effective after January 1, 2011.

19.18(2) *Determination of recovery factor.* The utility may recover a rate of return and depreciation expense associated with eligible capital infrastructure investments described in subrule 19.18(1). The allowed rate of return shall be the average cost of debt from the utility's last general rate review proceeding. Depreciation expense shall be based upon the depreciation rates allowed by the board in the utility's last general rate review proceeding.

19.18(3) *Recovery procedures.*

a. To recover capital infrastructure investment costs that meet the criteria in paragraph 19.18(1) "a" through an automatic adjustment mechanism, the utility is required to obtain prior board approval of the automatic adjustment mechanism. The utility shall file information in support of the proposed automatic adjustment mechanism that includes:

- (1) A description of the capital infrastructure investment and the costs that are proposed to be recovered through the automatic adjustment mechanism;
- (2) An explanation of why the costs of the capital infrastructure investment are beyond the control of the utility's management;
- (3) An exhibit that shows the changes in level of the costs of the capital infrastructure investment that are proposed to be recovered, both historical and projected;
- (4) An explanation of why these particular capital infrastructure investment costs are an important factor in determining the total cost of capital infrastructure investment to serve customers;
- (5) A description of proposed recovery procedures, if different from the procedures described in paragraphs 19.18(3) "c" and "d";
- (6) The length of time that the automatic adjustment mechanism will be in place.

b. Recovery of capital infrastructure investment costs that meet the requirements in paragraph 19.18(1) "b" may be made by the utility by filing annually on or before April 1 of each year a proposed tariff with an effective date of May 1 or later. The utility shall file information in support of the proposed automatic adjustment rates that includes:

- (1) The government entity mandate or action that results in the gas utility project and the purpose of the project, or the safety-related reason requiring the project.
- (2) The location, description, and costs associated with the project.
- (3) The cost of debt and applicable depreciation rates from the utility's last general rate review proceeding.

(4) The calculations showing the total costs that are eligible for recovery and the rates that are proposed to be implemented.

(5) The utility shall provide supporting documentation, including but not limited to work orders and journal entries, to the board staff or the office of consumer advocate upon request.

c. The utility shall calculate the rates for the recovery of the capital infrastructure investment through the automatic adjustment mechanism over the 12-month period from May 1 through April 30 of the next year, unless otherwise ordered by the board. The capital infrastructure investment factor shall be calculated by taking the total eligible investment costs for the prior calendar year divided by the actual prior calendar year's sales volumes with the necessary degree day adjustments.

d. The utility shall file an annual reconciliation on June 1 of each year after the initial year in which the automatic adjustment mechanism is implemented that reconciles the actual revenue recovered

through the automatic adjustment mechanism with the costs of the eligible capital infrastructure investments proposed to be recovered. The reconciliation shall be for the 12-month period May 1 through April 30. Any over-recoveries or under-recoveries from the reconciliation shall be recovered over the 10-month period from July 1 through April 30.